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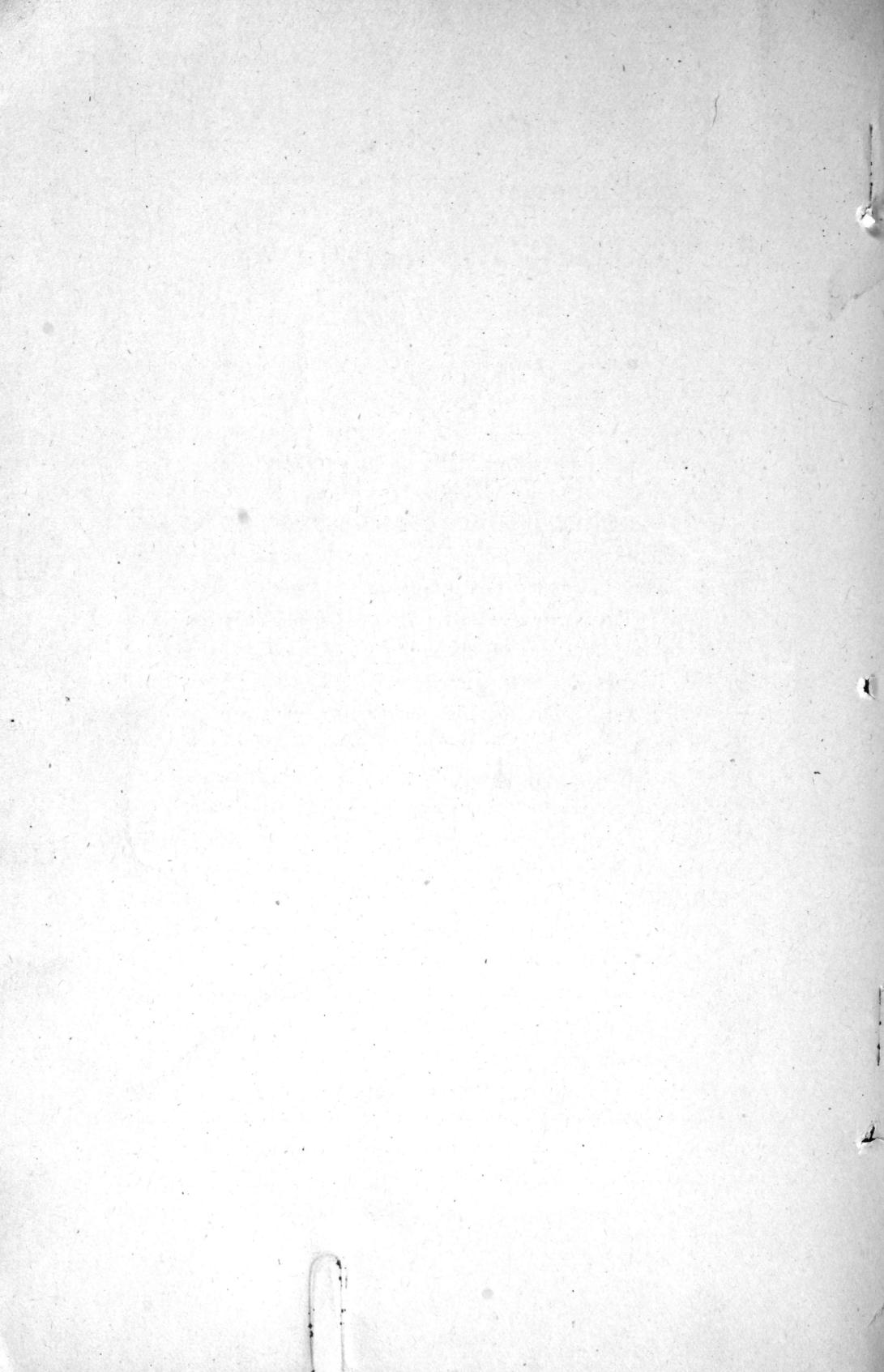
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## American Railways in War

By

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management . . . . .



NEW YORK, December 20, 1917.

## AMERICAN RAILWAYS IN WAR.

### I. Introductory.

The problems of railway efficiency, as a part of the machinery of war, are integral with the problems of the distribution of those commodities essential to existence or to successful military achievement. These problems are the same and are equally easy or difficult of solution whether the railways are operated by Government or under private management. Transportation is, at most, only an element in the distribution of commodities and cannot be made a substitute for the intelligent administration of the other elements. It is quite possible that lack of intelligent co-ordination among the various factors of this distribution may defeat the most efficient utilization of all the means of transportation, may lay burdens upon the transportation machine that could not, by any possibility be borne. Without intending any criticism of men who have given themselves entirely to the solution of the special (and separate) problems assigned to them, a few examples of the creation of such special difficulties, during recent months, may be cited.

Domestic sizes of anthracite are used, as their designation implies, for domestic purposes only. There is, therefore, little opportunity and no excuse, under present conditions, for expansion in consumption beyond that proportioned to the ordinary growth of population, yet many communities have received approximately one-third more than ever before and are now clamoring for more, and, particularly, are complaining that individual consumers are unable to obtain fuel. The explanation is that, although the mining companies and the railways have done more than ever before and have met

70-28-19. 7 of H. M. Beck.

emergency with augmented efficiency, the retailers to whom these supplies have gone have failed to distribute with sufficient regard to the conservation of the supplies. The coal for which the public of these communities is clamoring is now stored by those who purchased from these retail dealers—if it could be located and fairly distributed according to the necessities of consumers, the railways would be relieved of the greater part of one heavy demand. Whatever difficulties exist will be found to be strictly local and should be remedied by local action.

All articles consigned to the United States or its officers, as such; all materials ordered by the Entente governments for their account; all supplies for the manufacture of products ordered by any of these governments, are now and have been required to be moved on priority orders. In many cases materials for the various cantonments, shipbuilding plants, etc., have accumulated on railway tracks or adjacent to destinations much more rapidly than they can be used or accepted. One country alone now has supplies in storage at North Atlantic seaports in excess of its ability to transport by sea during the next seven months. The total freight in storage at these ports for the allied nations, including the United States, approximates 1,350,000 tons. It is apparent that these supplies have moved in advance of necessity and thus prematurely absorbed transportation service when it might better have been utilized to relieve more immediate necessities. No objection is made that the governments have seen fit to order extensively for future needs, but it is doubted whether all these goods need have been given precedence in transportation. It is said, though I do not vouch for the accuracy of the report, that at one new shipbuilding plant, the first article received under a priority order, requiring immediate railway movement, was an anchor. The military authorities have recently erected in New York Harbor a storage plant where lighterage both in and out is necessary for

all supplies. When the adverse current is not too severe, and other conditions are favorable, this plant can receive freight up to a maximum of twenty cars per day. One railway has now nine hundred loaded cars, consigned to this plant, tied up within a short distance of the delivery piers, waiting for the time when the Government can receive them. It should be understood that these difficulties have not attended the work of Judge Lovett, chairman of the Union Pacific. He has had no jurisdiction over Government shipments. His work has been to determine the extent in which shipments of various commodities or shipments for industries having war contracts shall be given priority over other freight, but his authority does not extend to the control of sources of supply or markets for such commodities.

So much for the outlines of the problem. Some of the special phases thus briefly adverted to will be given special consideration hereinafter. It is difficult to understand why, alone among productive agencies, railways should always be expected to expand capacity so as immediately to meet every demand. Manufacturers, under the exigencies of war, are asked to increase the size and efficiency of their plants ; they are aided in obtaining capital for that purpose, and, although every incentive to expedition is offered, no charge of inefficiency is laid at the door of manufacturing industry when there is delay in supplying their products, no matter how urgently they may be needed ; but, once the product of a factory is ready for loading upon the cars, the railways are expected to be able to furnish immediate movement and they are charged with inexcusable dereliction in the performance of their proper functions if the cars and motive power and trackage and yard space for immediate movement are not fully available. It is not considered that any delay is justifiable in railway movement, even though the delays in manufacturing may have resulted in throwing upon the railways a congestion of traffic which otherwise would have been distributed over a long period of time.

## II. Before the War.

No economic condition ever develops spontaneously—whoever would comprehend the present must have knowledge of the past, however strangely the phenomena under current observation may seem to separate themselves in character and origin from those by which they were preceded. Even world-war, though it vastly accelerates changes, does not really interrupt the continuity of economic events.

The aggregate of material comfort available, when war commenced in 1914, immensely exceeded that of former times and nowhere was that aggregate larger, relative to population, than in the United States. The increase had come about by reason only of the efficiency of capital in fructifying human labor and the efficiency of capital was greater here than anywhere else. And of all the forms in which capital is largely employed that represented in railway facilities is most productive. Transportation is the genius of modern economics and of all agencies for the movement of persons and property there is none comparable with an American locomotive operated under American railway management over American railway tracks.

As suggesting the wonder of this efficiency let it be noted that in 1914 the railways of this country performed service equivalent to carrying 35,258,497,509 passengers and 288,319,890,210 tons of freight, say 291,032,082,326 tons in all, one mile. In 1914, railways of comparable efficiency did not exist anywhere else in the world, for nowhere else had capital been expended so lavishly for railway construction and equipment. American railways had the heaviest rails, the strongest bridges, the most substantial road-beds, the largest locomotives and cars of the greatest strength and capacity. Nowhere else were tracks and track-structures capable of sustaining such heavy loads, no-

where else were there locomotives of such great tractive power or capable of so economically turning coal into train-miles, nowhere else were there freight cars strong enough and large enough to concentrate so great a tonnage within so few trains or within such short length. Here, in short, railway trains moved loads far in excess of the capacity of railway trains of other countries and, as the efficiency of railway trackage is limited by the number of trains which can be passed over it, this had produced the result that, per dollar of investment, American freight movement far exceeded that of other lands.

In consequence, in part, of this high state of mechanical development and of equally efficient management, the American railways, at the beginning of the present war, were performing all their services at far the lowest charges anywhere known and were being more largely utilized than those of any other nation. The following table shows the wonderful strides with which the utilization of railway transportation has advanced.

Year.	Population of Conti- nental United States.	Railway Services.			
		Passengers carried one mile.		Tons of freight carried one mile.	
		Number.	Per capita of population.	Number.	Per capita of population.
1894	67,632,000	14,289,445,893	211	80,335,104,702	1,188
1904	82,466,551	21,923,213,536	266	174,522,089,577	2,116
1914	98,646,491	35,258,497,509	356	288,319,890,210	2,923

The foregoing figures show that the average American of 1914 travelled 356 miles by steam railways during that year and required the movement of 2,923 tons of freight one mile. It will be necessary to inquire by what processes this immense volume of transportation can be absorbed and how it has happened that in the twenty years, following 1894, the volume of

personal railway transportation utilized per capita increased nearly seventy-five per cent. and that of freight increased little less than one hundred and fifty per cent.

Clue to these processes will be found in the progressive enhancement of the cost of production of nearly all utilities of form and the concurrent or relative decrease in the rates of charge for railway utilities of place. Assuming the relations of 1894 to have constituted a state of equilibrium, the whole subsequent movement of the prices of form utilities was upward while prices for railway service were reduced, remained stationary or, if increased at all, the increases were insignificant compared with those in prices. The consuming public, seeking to avoid the consequences of the former movement and to take advantage of the relative stability in the cost of railway services continuously reached further and further towards the cheaper sources of supply ; continuously required commodities to be carried by rail over longer distances ; in a word, progressively increased its demands upon the railway carriers.

The railways responded to these augmented demands by increases in capacity and efficiency brought about by enormous additional investments of capital and by wonderful progress in methods of operation and management. The total invested capital increased as follows :

Railway capital.		
Year.	Amount.	Per capita of population.
1894-----	\$9,073,470,532	\$134.16
1904-----	11,511,537,131	139.59
1914-----	16,936,607,840	171.69

It will be seen, from the foregoing, that in twenty years the total capital employed in the public service under the auspices of American railway corporations increased \$7,863,227,308, or 86.66 per cent. In ten years, 1904 to 1914,

the increase was \$5,425,160,709, or 47.13 per cent. These vast expenditures were principally for the improvement and extension of existing lines, a very natural consequence of the fact that by 1894 the necessary trunk lines have been quite fully supplied. The progress of these two decades, therefore, consisted in the construction of branch lines, of supplemental main tracks, the enlargement of yard facilities, the strengthening of road-bed and structures, the addition of improved safety appliances and signalling apparatus, the augmentation and enlargement and improvement of motive power and other rolling stock. The following data illustrate this point :

Year.	Length of line, in Miles.	Value per mile of line.
1894 .....	178,708	\$50,773
1904 .....	212,243	54,237
1914 .....	256,547	66,018

In other words, the average mile of American railway line represented, in 1914, an investment of \$15,245 (or 30.02 per cent.) more than the average mile of 1894. As the length of railway line increased, from 1894 to 1914, 43.56 per cent, while the value of railway property increased 86.66 per cent, it is evident that, assuming the new mileage to have the same average value as that previously existing, the added investment of \$7,863,227,308 was expended in the proportions of \$3,425,221,815 or 43.56 per cent for new mileage and \$4,438,005,493, or 56.44 per cent, for increased efficiency per mile. Similarly estimated, the distribution of the \$5,425,160,709 invested since 1904 would appear to be : for new mileage \$1,132,231,040 or 20.87 per cent; for improvements, \$4,292,929,669 or 79.13 per cent.

It would be impracticable to trace, in this place, all the special phases of this progress. The development of one of

these phases, that of extra trackage, is, however, shown by the following :

	1894.	1904.	1914.
Additional tracks, per 100 miles of line, in miles :			
Second track-----	5.87	7.46	10.76
Third track-----	.53	.69	1.05
Fourth track-----	.40	.49	.81
Yard track and sidings-----	23.88	31.34	38.32
	—	—	—
Total, all extra tracks-----	30.68	39.98	50.94

A parallel development in the direction of efficiency, the increase in the power and capacity of rolling stock, is shown by the following :

Equipment.	1902.	1914.	Increase per cent.
Locomotives, average tractive power pounds-----	20.485	30.420	48.50
Freight cars, average capacity, tons :			
Box cars-----	14.	35.	150.00
Flat cars-----	19.	36.	89.47
Stock cars-----	16.	31.	93.75
Coal cars-----	22.	45.	104.55
Tank cars-----	23.	40.	73.91
Refrigerator cars-----	11.	32.	190.91
Other cars-----	25.	42.	68.00
	—	—	—
All freight cars-----	21.	39.	85.71

The figures in the table just given show that the supplemental trackage of 1904 had less than one-third the aggregate length of the total line, in 1914 there was supplemental

trackage exceeding in aggregate length one-half of the length of line. This alone spells great progress in efficiency. The following data suggest, even if they do not adequately measure, the splendid results of all the elements of progress that have been indicated.

	1894	1904	1914
Passengers carried one mile :			
Per mile of line -----	79,960	103,293	137,435
Per mile of all track -----	61,188	77,797	91,058
Per \$1.00 of investment-----	2	2	2
Per \$1.00 available for return on investment-----	47	38	52
Tons of freight carried one mile :			
Per train mile (Average freight train load)-----	178.80	326.15	475.84
Per mile of line-----	449.532	822.274	1,123.848
Per mile of all track -----	343.998	587.471	744.612
Per \$1.00 of investment-----	9	15	17
Per \$1.00 available for return upon investment-----	264	304	427

Such was the American record of magnificent railway achievement up to date in which the outbreak of the European war upset the economic equilibrium of Christendom. It is a record of arduous accomplishment in which none fails to take patriotic pride save those whose views are distorted by blind prejudice or the teachings of ignorant or unscrupulous leaders.

Although the American railway system had, prior to the war, attained this high and unparalleled state of physical development, it was confronted by conditions which were properly the occasion of grave concern not only to its managers, but to all those qualified to apprehend the serious social and economic consequences certain to flow from any retarda-

tion of normal railway progress. Brief reference to two of the principal elements from which these adverse conditions had arisen is desirable.

1. About 1870 there began a gradual abandonment, on the part of American governments; national, state and municipal, of the well-tried principle, theretofore believed to have been firmly imbedded in their constitutional system, which asserts that government interference with the natural processes and progress of industrial association is unwise and that developing industry contains within itself, in the orderly actions, interactions and reactions of enlightened self-interest, the effective cure for those temporary aberrations that often occasion and must always accompany the adjustments of progress. Among the most extreme incidents of this profound alteration of the governmental relation to industry have been the successive enactments which have, in an ever increasing degree, hampered railway operations, interfered with the freedom of managerial action which makes for progress, prevented the progressive adaptation of the rate structure to changing traffic conditions, compelled changes in practices which were without economic or other justification and enforced the reduction of rates that were not too high. On the side of revenue and income, the last word in railway management has been taken away from the owners and their experienced representatives and substantially final authority has been conferred upon governmental officers or boards, frequently including men without much experience in railway business. Under these conditions it is not strange that the railways had to bear, with substantially no relieving adjustments, the whole of the immense fall in the value of the money in which their charges are paid which was the chief economic event of the last two decades prior to the war. Vigorously reacting to these disadvantageous changes in their environment, the railways have developed numerous and extensive economies of mechanism and of method, but the whole product of these improvements has

been swallowed up by unasked and unanticipated reductions in their charges and, in the later years of the ante-war period they not only failed to gain in net earnings and in financial strength, but actually lost ground.

2. About the same time that railroad revenues became subject to control of that peculiar quality which tends constantly to render them less and less adequate to meet railway expenses, the expenses themselves became subject, as to their largest element, the cost of labor, to the strong pressure of the highly organized labor unions, supplemented by a public attitude which has effectually thwarted or prevented resistance to demands even when the other conditions would have rendered such resistance warrantable and successful. Thus most of the employees have obtained higher pay, shorter hours, reduced effort, diminished efficiency. The process has been uninterrupted and its results have been cumulative.

It is not necessary to add, to the foregoing, even reference to the constantly rising exactions of taxation, in order to show that the railways suffered greatly between the upper millstone of limited revenues and the nether stone of rapidly rising expenditures. In 1914, railways had long failed to earn nearly as much as six per cent. upon the value of the property which they used and operated in the public service. For several years the new capital necessarily added from year to year had added little or nothing to net income.

Under these conditions, even before the war began, it had become evident that public and trades-union regulation had been carried straight to the door of the investor and that the investor's door was about to be closed. Without power to control the investment of savings, governments had created and encouraged conditions which left investors critical and cold toward railway offerings, unwilling to take railway shares at prices at which the corporations could offer them and demanding a quality of security and rates of interest which were practically prohibitive. At the same time the immense

borrowings of municipalities were being provided for by issues of bonds dependent upon taxation and carrying rates of interest approximating those which the railways could afford to offer, while industrial bonds, offering higher interest than railways had ever paid or could ever pay out of current receipts, were steadily rising in quality and in public recognition. The following data suggest some of the changes in the conditions under which the railway securities are marketed.

	1894. Decem- ber 31.	1904. Decem- ber 31.	1914. Decem- ber 31.	1917.* Decem- ber 5.
Corporations listed on New York Stock Exchange.				
Railways :				
Number listed-----	110	102	92	88
Number selling above par	22	38	22	14
Other :				
Number listed-----	63	97	147	215
Number selling above par	11	30	32	40
Total :				
Number listed-----	173	199	239	303
Number selling above par	33	68	54	54

\* The figures for 1917 have been added to show present conditions.

The foregoing shows that there has been a great increase in the number of corporations other than railway corporations which compete for the capital which is seeking investment and that the proportion of industrial shares selling above par largely exceeds the proportion of railway shares on which public estimation fixes a valuation equal to one hundred per cent. of their face value.

It will not be out of place at this point to call attention to the fact that all capital subject to public control of prices or rates is similarly affected. The following table exhibits a classification of the total wealth of the United States, as estimated

by the Census Bureau for the year 1912, the latest official inventory :

Real Estate-----	\$110,676,333,071
Personalty subject to regulations :	
Railways -----	\$16,148,532,502
Street Railways-----	4,596,563,292
Telegraphs-----	223,252,516
Telephones -----	1,081,433,227
Pullman and private cars--	123,362,701
Shipping and canals -----	1,491,117,193
Waterworks privately owned -----	290,000,000
Light and power plants pri- vately owned-----	2,098,613,122
Personalty not subject to regulation-----	51,009,863,466
Total-----	\$187,739,071,090

It will be noted that if real estate is excluded, almost exactly one-third of the remaining property is devoted to the industries which are subject to legislative or commission control of services and rates. No one acquainted with recent conditions will fail to observe, in addition, that it is substantially true that the classification would be the same if the criterion applied were that of profitableness, on the one hand, and unprofitableness, on the other. That is to say, with almost no exception, all the unregulated capital is enjoying huge prosperity ; nearly all the regulated capital is absolutely or relatively unprofitable. Can any one, perceiving the verity of this observation, suppose that capital will continue to flow to the regulated industries ? Does it not make fully evident that there must be an about-face in the standards and methods of regulation and that, as well in public-service industries as elsewhere, the injunction applies \* \* \* "muzzle not the ox which treadeth out the corn ?"

### III. The War-Period—During American Neutrality.

From August, 1914 to April, 1917, the United States gazed upon the world-war with the eyes of a not disinterested spectator. The economic echoes of the gigantic struggle reverberated over the length and breadth of the land and thrilled the industrial fibre of the nation not less than the wrongs of Belgium enthralled the National sympathy. To this great and friendly neutral, the Entente allies called, not vainly, for industrial and financial assistance. America suddenly became a producer, on the largest possible scale, of every possible sort of munitions of war and the savings of American investors were drawn, by means of loans for military purposes, into the war-chests of the friendly belligerents.

Upon the railways, the consequences of the manifestations thus briefly suggested, were tremendous. They may be summarized under three heads :

1. Increased demands for services.
2. Increased cost of operation.
3. Increased cost of capital.

1. The extreme stimulation of productive activities, primarily due to unparalleled expansion of export demand and accompanying increase in both foreign and domestic trade, immediately required numerous and rapid adjustments not all of which could have been expected to be made without friction and difficulty. Diversion of vessel tonnage from domestic transportation suddenly threw upon the railways a great deal of traffic ordinarily moved over water routes. Trans-continental traffic by rail was suddenly swollen by the interruption of traffic via the Panama canal and the condition continued because most of the boats found greater opportunities in trans-Atlantic or trans-Pacific trade and because of the extraordinary export movement via Pacific coast ports of locomotives, cars,

rails, munitions and other commodities destined to Russia. Similarly, the decreased vessel tonnage, in the Atlantic seaboard coastwise trade, stopped the normal movement of lumber by water and as the South is the source from which nearly all the cross-ties for the eastern railways must be obtained, their movement by rail was unavoidable. For the same reason there was an almost immediate shortage in the volume of coal reaching Boston by water. As seventy-eight per cent. of the population of New England is located within fifty miles of tidewater, which is also easily reached from the West Virginia coal fields, it is apparent that the heaviest steam coal movement to these consumers ought, normally, to be by water. Yet, as the coal requirements of Boston actually increased the railways were required to carry a large excess over the normal quantity of coal destined to that port. The tonnage distributed by one railway increased, in 1916 as compared with 1915, more than one million tons, or over one-sixth, but the tonnage received by water, included in its total, decreased about six hundred forty thousand (640,000) tons, or more than one-fifth. This involved an increase of fifty per cent in the tons moved by rail, and probably more than doubled the number of tons carried one mile. Other New England ports were affected in the same manner. The Interstate Commerce Commission required the railways reaching ports of the Great Lakes to dispose of the boats which they had operated to and from such ports and this, together with withdrawals from the lake service for other reasons, greatly diminished the tonnage available for the movement of coal via the lakes and threw a corresponding burden upon the rail routes. Moreover, the extraordinary conditions in the steel trade made it seem desirable to the owners of much of the tonnage which, in the past, had carried iron ore southward and coal northward, to refuse the coal tonnage and to send the boats without cargoes on their returning northward-bound trips, in order to save the few days required for

loading and unloading coal. At the same time export traffic became concentrated upon the northern Atlantic seaports, particularly upon New York and Boston, because the scarcity of bottoms in foreign trade, even after the diversion thereto of many ships formerly in coastwise trade, and the high trans-Atlantic rates, made it more profitable to operate over the shorter routes and this caused still greater scarcity of tonnage at the Gulf and South-Atlantic ports. The merchandise traffic moving to Boston by rail suddenly increased about fifty per cent. Other sources of extraordinary demand for railway services were numerous and may be illustrated by a few examples. Canadian industries became abnormally active and it came to be necessary for many manufacturers and for the Canadian Pacific Railway to obtain fuel from the United States, this export demand involving an unusual rail movement. The closing of the ordinary European sources of supply of many articles sold largely in the United States impelled extensive importations of similar articles from China and Japan, thus requiring a long trans-continental movement by rail but without relieving the eastern railways from participation in the distribution. Since the removal of the import duty on iron ore, large quantities of Swedish, South American and Cuban ores have been brought to the United States for use in furnaces east of the Alleghany mountains. This importation was affected by the withdrawal of tonnage when the war began and the furnaces forced to seek western supplies. The Lake Champlain ores go to Buffalo, where their largest consumer is located, by rail, while ores for Bethlehem move to Buffalo by the lakes and thence by rail. Extensions of many American factories and mills, notably in the Pittsburgh district, took up lands formerly allotted by the owners of the plants to the storage of coal, and, no other land being available, these establishments were forced to a "hand-to-mouth" practice, which requires daily deliveries and places the heaviest pos-

sible strain upon railway equipment and motive power. The movement of troops to and from the Mexican border and of the munitions and supplies required also constituted an extraordinary and adverse element in the situation.

Notwithstanding these extraordinary demands upon railway facilities, it is believed that no appreciable congestion of traffic occurred which was not wholly attributable to misuse of cars and terminals brought about by the conduct of shippers and consignees in matters which the railways were unable to control or were not permitted to control.

The initial difficulty arose out of the contracts covering manufactures of munitions of war for export. These contracts commonly required payment to be made when the products were loaded on cars at the producing establishments, and extraordinary efforts to obtain early payments on the part of manufacturers whose working capital was, in many instances, seriously over-taxed by the sudden expansion of activity led to loading that had no regard to the ability of the consignees at seaboard points to receive the goods or to provide for their early trans-shipment. This was the source of the first congestion which, as will be remembered, was confined almost wholly to seaboard points. Relief was afforded through the co-operation of the Interstate Commerce Commission, represented by Commissioner E. E. Clark, which authorized a reduction in the "free time" allowed for unloading cars at the Atlantic seaboard, and, for a period of six months, an increase in the charge for demurrage.

A second and more serious movement also had its origin in the abnormal export trade in war materials. Manufacturers with huge contracts found themselves under the necessity of rapidly multiplying the size and capacity of their plants and became acutely anxious over the sudden demand for machinery, building materials and, especially, for the raw materials out of which to fabricate the products they had contracted to deliver. Sharp competition for materials ensued, in which manufac-

turers not only bid avidly for supplies to meet their necessities for the ordinary periods in advance, but sought to provide for anticipated needs running much farther into the future. The next step in this process might easily have been foreseen. The situation attracted the attention of speculative adventurers who, having no real connection with the production of any commodities and no actual requirements for raw materials to satisfy, concluded that by contracting for the control of such materials and thus holding them out of the market until the actual necessities of manufacturers caused them to bid higher prices, they would probably realize handsome profits. Such speculation in commodities became very active and general; it was especially active in the case of fuel, and it soon extended to food products. At one time, when there was a shortage of bituminous coal in a western city, there were several thousand tons of that fuel being held by speculators in railway yards at that point in the expectation of higher prices. Similar conditions existed at many other points in the United States and in Canada. An illustration of the speculative withholding from the market of food products may be cited where, at one place, ninety cars of potatoes were held there for approximately three months and two carloads of celery were held until freezing compelled dumping them into the river. The results of such misuse of equipment first penalized those who had no part in bringing them about, including the railways, and, in their reactions, worked to the injury of those by whose conduct they were produced.

Such situations disclosed the ability of shippers and consignees to impede the economical use of railway cars and terminals at its worst, but that ability exists at all times, for it is inherent in relationships between the purveyors and the purchasers of railway services, which relationships have so far the sanction of public authority that the railways are powerless to protect themselves or the public. It will be remembered that the Interstate Com-

merce Commission, in refusing to permit the railways in Official Classification territory to put in force, in 1914, the rate adjustments which they regarded as necessary to protect their net corporate incomes on account of the increased cost of labor and materials, made a series of suggestions which, if carried out, would have restricted such abuses of equipment and added something to the revenues of the carriers. The railways accepted these suggestions in good faith and, as soon as practicable, issued tariffs putting them in force, but substantially all these tariffs were suspended by the Federal or the State commissions and the attempted reforms came to naught. Such abuses as those here described could be greatly curtailed by adjustments in demurrage rates and by sufficient control of the use of negotiable bills of lading to prevent their issue in respect of shipments to consignees not in a situation to receive them.

Any apparent shortage of railway cars or other facilities is abundantly explained by these facts. There was no actual shortage of cars and the appearance of shortage is found, on sufficient analysis, to have been a consequence of a general abuse of cars by shippers and consignees and not to have resulted from a lack of sufficient cars for all legitimate uses. The situation did not spring from any insufficiency in the facilities supplied by the railroads or from defective methods of operation but from changed and abnormal conditions and misuse of equipment by some shippers and some consignees. Railways ought not to be asked to supply cars for warehouse purposes, and if freight equipment was misused in that way so as to be unavailable for the movement of traffic, the blame ought not to be laid upon carriers which resisted the abuses in all the ways that the legislatures and the commissions had left open to them. For many years the railways have reported to the American Railway Association the number of cars (*a*) on hand and not required by shippers and (*b*) requested by shippers in excess of the number supplied. These

figures have been compiled and the resulting net surpluses and shortages have been compared by the Railway Age Gazette. The data show that during the period of nearly nine years, ending with August, 1916, there was an almost continuous net surplus of freight cars, the only interruptions being in 1909 (about one month), 1912 (about three months), 1913 (about one month). That is to say, there were shortages in five months out of 104; surpluses of idle cars in 99 months out of 104. At one time in 1908 no less than 413,338 cars stood idle for want of traffic; never in 1908 were less than 100,073 cars idle; the surplus of idle cars rose to 332,513 in 1909, to 142,865 in 1910, to 207,261 in 1911 and was 138,881 in 1912. For two and one-half years, November, 1913, to March, 1916, there was a continuous over-supply of cars, the idle surplus being 279,411 on February 1, 1915 and 327,084 on April 1, 1915. Moreover, between June 30, 1907, and June 30, 1916, there was not only a great increase in the average capacity of freight cars, but the number of such cars in the United States increased from 1,840,000 to 2,518,855.

Railway difficulties were enhanced by the labor situation. The year 1916 was a most inopportune time for the reduction of the effort of any section of the productive labor of the United States, in view of the substantial cessation of the normal flow of immigration and the extraordinary demands of the export trade, yet during the year the whole anthracite industry suffered a change from the nine-hours day to the eight-hours day and effort was reduced in a similar manner in other industries. The scramble of the manufacturers of munitions of war for materials was paralleled by their efforts and those of the steel manufacturers to obtain labor; both sending out commissioners who successfully solicited many employes of the railways and the mines to abandon their former employments.

The foregoing resume shows that the difficulties which attended the movement of railway traffic between August,

1914, and April, 1916, were not of such a character that they ought, in any large measure, to have been met by the expenditure of capital. Abnormal and temporary difficulties ought not to be met by increased investments of capital because capital added under such compulsion would be likely soon to become idle and unproductive, too probably permanently idle and unproductive. Absorption of the available supply of capital by unproductive undertakings has always been, let it be parenthetically remarked, the chief source of financial panics. This was the cause of the American depression of 1873-1877, of the Australasian depression of the early 90's, and of numerous other periods of stagnation and loss in all portions of the world. The difficulties of 1914-1916, having sprung plainly from misuse and abuse of railway facilities, the sensible course was to devise means for correcting these errors and to secure the maximum utilization of the facilities in existence. Great progress in this direction was being made when the tremendous changes due to the declaration of war by the United States introduced an wholly new series of tremendous phenomena.

2. One of the first results of the war was a marked rise in the cost of all railway materials and supplies and in the wages of railway labor. Prior to the outbreak of the war the railways were fully equipped to handle the traffic then offering; their road-bed and structures and rolling stock were of modern type, were adapted to the purposes for which they were in existence and were highly efficient in condition and in type. The rank and file of their employes were men of high efficiency and the rates of wages which were being paid were rather higher than for similar grades of labor in other industries. The wild scramble of foreign governments and other purchasers for the supplies available in this market, including railway materials and equipment, caused almost immediate increases, such as those illustrated by the fact that a freight car which had formerly cost \$1,100 rose to

a cost of \$2,520, while a locomotive formerly purchased for \$18,000 rose to from \$35,000 to \$40,000. These increases are merely typical of what happened all along the line.

The beginning of the war effected an almost complete cessation of the flow of immigration on which the United States have long depended for a large fraction of the total of manual labor essential to their industrial activities. The excess of alien immigration over emigration for the fiscal year 1914 was 915,142, a figure fairly representing the annual flow of the period just prior to the war. The corresponding figure for the fiscal year 1916 was 169,061 and for 1915 was 122,622. Thus the decrease from 1914 to 1915 amounted to 86.60%, and from 1914 to 1916 to 81.53%. In this way the increase in demand for labor was accompanied by an actual shortage in the volume of labor available. Under these conditions industries were led to bid against one another for employes, and especially in those industries which began to manufacture for foreign account the enormous demand for labor led to great increases in rates of wages. Thus men were withdrawn from railway employment to other occupations, and it became necessary to increase wages in many departments. This situation culminated in the enactment of the Adamson law, which resulted in a very considerable reduction in the quantity of labor given in return for wages.

3. One of the immediate consequences of the war was the necessity of re-purchasing a large fraction of the enormous volume of securities which had been held in European countries. Of railway securities alone, the par value held abroad on January 31, 1915, six months after the commencement of the war, was in excess of \$2,704,402,364. During the ensuing two years, that is, to January 31, 1917, no less than \$1,518,590,878 or 56.15 per cent of these securities passed into American ownership. The market value of the railway securities held abroad on January 31, 1917, had been reduced to \$924,542,646. Data with regard to other kinds of securities

are less complete but it is known that between December 31, 1914, and September 30, 1916, the foreign holdings of the stock of the United States Steel Corporation decreased from 1,193,064 shares of the common and 309,457 shares of the preferred to 537,809 of the former and 171,096 of the latter, reductions of 54.92 and 44.71 per cent respectively. During the period to December 31, 1916, foreign loans placed in the United States aggregated \$2,656,000,000. The demands upon the available investment fund made by these operations and the closing of foreign markets to American securities, resulted in a rise in the rates of interest demanded upon railway loans and in a very great increase in the difficulty of marketing new securities of any kind.

#### **IV. The War Period—America a Belligerent.**

The events set in motion by the declaration of war, on April 6, 1917, are still so recent that their recapitulation would be superfluous. The Nation set at once to work, in most vigorous fashion, to raise, arm, equip and transport an army numerically, individually, and collectively worthy of its people and its resources. To this end every energy was solemnly dedicated and the railways, as one of the chief repositories of potential energy, found themselves suddenly committed to the sacrifice of everything which might stand in the way of their promptly functioning as a mighty agency for the winning of battles and of the war.

The problems of the war have fallen upon the railways with especial severity, not only because their place in the vast complex of American industry is one always imposing especially arduous tasks, but also because their situation at the outbreak of the war, as above outlined, was one of especial exposure to hardship. They have not only been under the necessity of assuming new burdens of extreme severity, but the old burdens to which they were subject, have

been tremendously enhanced. Their capital requirements now fall within a time when governmental borrowings have almost drained the market of funds for other purposes and government purchases from industries not subject to price regulation have so enhanced the prosperity of competitors for capital that, even were the investment fund ample, the railroads would experience great difficulty in securing their proper share.

Even before the United States became a party to the war, the situation was one of extreme difficulty. The difficulties became substantially greater, however, when the Government entered the field as a borrower. The two immense war loans which have already been floated, and the third which must be anticipated at an early date, have practically pre-empted the invested market, and it is no longer, as formerly, a question of actual or relative credit. No private enterprise has any right to invade the market with securities which would in any way compete with those offered by the Federal government, nor would such competition be effective even if attempted by the strongest corporations.

Nevertheless, for months every mile of track, every locomotive and every car has been performing an aggregate of service exceeding all precedent. The railways have successfully moved immense volumes of traffic diverted to them from water routes on which boats have ceased to operate because they have been transferred to more profitable service or taken over for Government service.

Where so much has been accomplished, nothing in the way of defence is necessary and, under ordinary conditions, there would be no excuse for any suggestion of radical action.

Yet the necessities of warfare are imperative and those who contend that the railways would do better under some other management than that of those who have devoted their lives to railway service, are entitled to a hearing and to have their will, *if they can show reasonable prospect of more successful achievement than the present methods may be expected to ob-*

tain. The burden of proof, however, should rest with those who claim capacity superior to that which is based upon experience and demonstrated by achievement and no change should be made until the new methods and powers, which would have to be relied upon to accomplish more than has been accomplished, are fully explained. Those who desire Government operation in this emergency, should be required to show not only that they can do everything which is now being efficiently done, but where and what they can do that will spell higher efficiency.

From the very beginning of the war, the paramount authority in railway operation has been that of the Railway War Board, under the chairmanship of Mr. Fairfax Harrison, an experienced railway manager, aided and assisted by many of those whose experience in railway operation has been longest and whose attainments are most widely and fully recognized by their professional colleagues.\* The wishes of the Federal government have been a paramount law in the operation of this organization and if anything has not been accomplished which ought to have been accomplished through its agency, it has not been through lack of co-operation in any railway quarter. There is no railway corporation which has not given over every hope of gain and surrendered every separate interest which might

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\* The chairman was assisted by an executive committee consisting of Mr. Howard Elliott, Mr. Hale Holden, Mr. Julius Kruttschnitt, Mr. Samuel Rea, Mr. Daniel Willard and Mr. Edgar E. Clark (the two latter *ex-officio*); and by six territorial sub-committees. These sub-committees were as follows: Northeastern Department; J. H. Hustis (chairman), H. M. Biscoe, Morris McDonald, E. J. Pearson and Howard Elliott; Eastern Department; L. F. Loree (chairman), W. W. Atterbury, W. G. Besler, A. H. Smith, A. W. Thompson, Samuel Rea; Southeastern Department; W. J. Harahan (chairman), E. H. Coapman, Lyman Delano, R. V. Taylor, W. A. Winburn; Central Department; R. H. Aishton (chairman), E. E. Calvin, C. H. Markham, H. U. Mudge, G. L. Peck, E. D. Sewall, G. T. Slade, Hale Holden; Southern Department; W. B. Scott (chairman), B. F. Bush, C. E. Schaff, T. M. Schumacher, Julius Kruttschnitt; Western Department; Wm. Sproule (chairman), J. D. Farrell, L. C. Gilman, C. M. Levey, R. S. Lovett, E. P. Ripley.

in any way interfere with the efficiency of the railway system as an whole.

No criticism of any administrative officer is intended by the statement that looking backward over what has happened during the months since war was declared by Congress, it is now evident that somewhat different methods would have been more favorable to the prompt movement of the vast volume of freight offered for transportation. Less sweeping "priority" orders would have accomplished equal results in connection with the commodities intended to be favored, without requiring so great an aggregate of transportation or so extensively interfering with the movement of other commodities. As one example, it may be suggested that a larger fraction of the coal given priority movement to the Great Lakes, might have been obtained from the Ohio and Pennsylvania fields, instead of from the West Virginia fields, thus not only reducing the length of the rail movement, but keeping it within points between which return loads would have been available and the return movement, principally of iron ore, would, in its turn, have supplied the steel mills with raw material and forestalled necessities which eventually led to other "priority" orders.

It is stated that, on the Pittsburgh division of one railroad, approximately eighty-five per cent. of all the freight which is being moved at the present time is covered by priority orders and other railways are reporting sixty to seventy per cent. of movement under such orders. It is not surprising to find that the greatest difficulties are in the regions in which priority orders are most numerous. The sorting and switching necessarily incident to giving effect to these orders in itself adds very materially to the work required, and reduces the volume of traffic which can be handled.

An obstacle to the utmost efficiency, related to that just discussed, has been the uniformity with which preference has been demanded for all Government shipments. No objection is made to giving preference where preference is necessary,

and, in fact, the railways are as anxious as anyone else to expedite every movement which will facilitate important Government operations. But the desirable results which were intended have been impeded and made much more difficult by the fact that every Government officer has insisted that every shipment on Government account must be treated as preferential. It is simply unbelievable that there are *no instances* in which it would have been quite as well to have allowed Government shipments to proceed in the ordinary manner and, of course, the giving of preference in every case greatly impairs the advantage of preference in all those cases in which it is most seriously to be desired.

To a very large extent, the Government has required railway movement without being in a position to take care of the freight when ready for delivery at railway terminals. Lack of shipping facilities, for example, has resulted in the accumulation at the present time, as already mentioned, of a very large tonnage within a short distance of Atlantic seaports, much of which was moved under priority orders, and some of this freight has been waiting trans-shipment for more than four months. There are comparable accumulations at many other points. If congestion of this sort, not in any way attributable to the railways, could be avoided, either by better arrangements for trans-shipment or by holding freight at the points of origin until there is reasonable assurance of being able to take it away from the terminals on delivery, the change would be of great assistance in relieving difficulties of railway movement. The commandeering of tugs in New York Harbor has aggravated this situation.

It is evident that the concentration camps at which the army for European service is being gathered and trained were not located with a view to facilitating, in any degree, the railway movement of either troops or supplies. No complaint is made that it was considered wise to distribute these camps

throughout different sections and to give weight to climatic conditions, or even to political considerations, in determining the location of some of them ; but it should not be overlooked that the problems of transportation growing out of these locations, have been very great. If more weight *could* have been given to transportation conditions the distances over which it is necessary to haul men, food, fuel, clothing and other supplies, might have been very much less.

In many cases, the requirements in regard to coal movement have resulted in extremely uneconomical use of cars. Cars have been allotted to mines not located upon the line of any railroad, under conditions which have involved wagon transportation of their output before loading and this has delayed and limited the use of such cars. No mine of this character ought to be utilized at such a time unless all mines more easily reached have all the men they can employ, are being worked to their full capacity, and are supplied with all the labor and all the cars which they can properly utilize.

The conditions which have recently existed in the United States were very closely paralleled in Canada during all of the first two years of the war. Every governmental executive, major or petty, claimed and exercised the right to issue orders to the railways requiring immediate and preferred movement, with the result that preference became of little account (so few shipments being denied the designation) and transportation conditions approached the chaotic. None too soon, the Dominion government appointed a "Director of Over-Seas-Traffic," with plenary powers and exclusive authority, that officer arranged for weekly conferences with the responsible heads of the various Canadian railways and these railways are now co-operating splendidly with the military and other authorities and carrying forty per cent more traffic than ever before.

No consideration of the railway situation would be adequate which did not involve full allowance for unfavorable labor

conditions. It does not appear that much, if any, effort has been made to relieve railway employes as a class, of draft requirements and, owing to the rigorous demands of railway employment which can be met only by young and vigorous men, it is doubtful whether there is any other industry in which so large a proportion of the whole number is subject to enforced military service. Moreover, the same condition also results in the fact that only a small proportion of railway men have been willing to claim exemption when drafted. As no provision has been made for exempting any individual who has not claimed exemption for himself, this has had very material consequences.

The ranks of railway labor have also been invaded by other industries and by the Government itself with offers of higher wages than railway revenues can be made to bear. Contractors for Government supplies, with agreements under which they will receive ten per cent over all costs of production, increase their profits whenever they increase wages and, in many instances, they have no means of obtaining labor except to bid against present employers. Under these conditions railway labor has furnished a recruiting ground which has been eagerly sought by agents of the Government and by those of private concerns dealing with the Government. The loss of men on account of this competition has been heavy and so far as it has been practical at all to replace those who have gone out they have, in a very large degree, been replaced by men of little experience, of inferior quality and smaller efficiency. Often the replacement by less productive labor has necessarily been at higher wages.

These difficulties might readily be considered insurmountable. They had not been unsurmounted. Exact figures showing what the railways have accomplished during the war period are available. The greatest movement of freight ever accomplished by the American railway system, in the pre-war period, was effected during the twelve months which ended

with June 30, 1913, when the total railway transportation of freight was equal to moving 301,398,752,108 tons one mile. During the calendar year 1916, the last full year before the United States entered the war, the total movement was 365,529,431,889 ton-miles. For the calendar year 1917 the total movement, based on actual records, supplemented by estimates, will be not less than 388,000,000,000 ton-miles. In other words, the war period with all its difficulties has seen an increase in actual work accomplished by American railways, as compared with the highest pre-war year, of 28.73 per cent. The average trainload in the calendar year 1916 was 560 tons, which is to be compared with approximately 450 tons for the best year previous to the war.

These data established the wonderful capacity of the railway industry to expand its productivity without corresponding expansion of the volume of labor or capital employed. The process has not yet exhausted the possibilities. Relief from hampering restrictions as to operating methods can readily be made to take the place of new facilities and of additional labor. The problem is, and ought to be, that of the highest utilization of the latest potentialities of present facilities (that is to say, present capital) and the present volume of labor. In that direction only can the railways rise to their highest utility and in that way only can they avoid becoming a drain upon the resources of the nation in manhood and in capital. But to attain these ends there must be the least possible interference with experienced and qualified managements, the latter must have the greatest freedom of action that is consistent with the national interest.

There is a vast misapprehension concerning the character of the problems of distribution by which the Nation is confronted. It is this misapprehension to which must be attributed a great deal of the feeling that a change should be made in the administration of railway facilities. The real trouble is somewhere else. To a large extent it is with the

retail dealer and with the individuals or enterprises which, for one reason and another, have been able to absorb or hold in reserve unusual quantities of commodities which ought to be more equitably distributed. The coal situation affords an apt illustration. The total movement of coal to New England, combining rail and water shipments, exceeds any previous year. The records indicate that, for the first eleven months of 1917, rail movement of coal into New England, handled by its three principal railway systems, the New Haven, the Boston & Maine, and the Boston & Albany, amounted to 20,181,143 tons, as compared with 17,364,053 tons for the same months in 1916. In anthracite, the increase was from 4,729,161 tons in 1916 to 6,179,114 in 1917, while in bituminous it was from 12,634,892 tons in 1916, to 14,002,029 in 1917. Yet, in spite of this increased volume, there is much current complaint and apparently a popular impression that New England is inadequately supplied. The truth undoubtedly is that if there could be a distribution of the supply actually in hand, no one need suffer or be in any wise troubled. Two factors seem to have been largely instrumental in producing the trouble. Those having long-time contracts, at fixed prices, before Government price fixing was begun, were unable to obtain deliveries, as others, apprehending difficulty, were paying premiums. As soon as the Government fixed prices, in most cases below the existing contracts, it became more profitable for many dealers to deliver under these contracts, and for some time such deliveries absorbed a larger portion of the output, so that there was little, if any, coal available at the prices fixed by the Fuel Administration. Moreover, during the early months of the current year, certain enterprises and individuals, either more foresighted or better able than others to anticipate their necessities, became large purchasers. The anxiety of dealers, accentuated by the uncertainties of the period, to convert their supplies into cash, impelled them to sell to the first comers, giving little or no con-

sideration to questions of distribution. Under these conditions there are many enterprises in New England which have on hand sufficient coal to last them from three months to one year, while other enterprises and individuals feel themselves seriously threatened by inability to procure a fair share of the coal actually within their territory. This is an illustration based upon a single locality, but similar conditions are known to prevail in many other sections, and are fully recognized by the Fuel Administration. Throughout all the anthracite consuming regions, it is generally true that users who were able to purchase during the early months of the coal year are amply supplied. The poor were either financially unable to purchase early or had no storage facilities. They have had to depend upon the dealers' yards and where the dealers have failed to retain a sufficient supply they have been unable to satisfy their emergency needs. This has caused much of the real trouble. That the difficulties are not due to inadequate transportation is shown by a very recent statement of one of the largest producers of Pennsylvania bituminous coal. Although owning a sufficient quantity of cars and, therefore, exempt from troubles attributable to insufficient railway car supply, his concern has been able to maintain only about two-thirds the normal output, owing to the lack of sufficient labor.

## V. Remedies.

In the great emergency by which the Nation is confronted, no railway officer should attempt to look further into the future than the period of the present war. He should attempt nothing in defence of the property rights which he represents save to satisfy those needs the satisfaction of which will, at the same time, aid in the defence of the Nation. It is in this spirit that I venture the following suggestions :

1. Further unification of the railway system, in order to make it more efficient in the service of the country during the

continuance of the war, will be best accomplished if its details are left to those who are intimately acquainted with the separate properties and have spent their lives in railway managements, that is to say, if it is left to the railways themselves. Popular apprehension seems to have been aroused lest "unification" might mean restoration of the "pooling" of earnings, made obsolete by the Act to regulate commerce in 1887. Nothing of the sort is contemplated or desired. What is now necessary is very different; it is the pooling of facilities, so as to make every movement the most efficient movement which the circumstances permit. In ordinary times, there is much to be said in justification of the competition of separate lines, even though some of the competitors may be slightly circuitous or may involve somewhat greater difficulties in operation. At the present time, no sacrifice of this character should be permitted. The unification which is desirable is only the unification necessary to do away with this possibility.

2. There has been no railway negligence in the matter of securing additional equipment. The railroads now have under order sufficient locomotives to meet immediate needs even under existing conditions, but no deliveries are being made on these orders for the reason that the Government has demanded priority for its orders, intended to supply the Russian and French governments with equipment for their railways, and for the purpose of equipping such railways in France as will be operated by the American military forces. With the reasonable handling and distribution of commodities and of priority orders so as to draw the supplies of all communities from the nearest sources of supply, giving due consideration to the desirability of using routes over which return loads can be provided, it is felt that the present volume of equipment could be made to serve all necessary purposes. If this is not fully possible, the railways are prepared to purchase whatever equipment may be necessary, provided the Government will

do only what it would have to do if it were operating the railroads directly, that is, cease to require the full capacity of the producing plants to be used for other purposes.

3. The railways have never asked that the Government should supply them with funds either in the sum of one billion dollars, as popularly suggested, or in any other sum. It has been said in railway quarters that it would be desirable to expend about one billion dollars on extensions and improvements, but it is not considered by anyone that, whether supplied by the Government, or otherwise, any such sum ought now to be diverted from war purposes, which are even more pressing. Nor are the railways in a situation in which they feel it necessary or desirable that they should become debtors of the general government. The only serious menace to the railway situation, on the financial side, is one which they share with all other corporate enterprises, that is, the question as to how, under current conditions, they are to provide for maturing obligations. Fortunately, the maturities for the year 1918 are not excessive, being some \$300,000,000 less than those of 1915. Moreover, some of these represent equipment obligations to be taken care of out of earnings and obligations to other railways which, presumably, can be refunded. It would be conservative to state that the total railway obligations would be something less than \$200,000,000. There are two ways in which the Government could aid in handling these maturities, and whatever measure is adopted should be adopted not for the railways alone, but should be sufficient to cover street railways, electric light plants, gas plants, water works, manufacturing industries and, in fact, about everything else which is commonly in corporate ownership. It would, of course, be possible to render assistance through the Federal Reserve banks but that would be undesirable as the full strength of the Federal Reserve system should be kept in the most liquid form; and this provision might just as effectively be made by the creation of

special loan banks modeled, perhaps, on those already provided for farm loans. If this plan could not be adopted, the Government could, if it should be considered proper to go to such an extreme, provide a general moratorium for these classes of obligations. Such a course would, however, be most objectionable of all and would probably impair, for a long future, the credit of American railway obligations. Without governmental action of any character, a third method which corporations could, to some extent, apply by their own initiative, would amount to forced extensions of these loans. It is not considered that in many cases creditors would fail to find it preferable to concede extensions than to resort to ordinary means of enforcing payment.

4. The inadequacy of the selective draft, as administered in the first instance, to make provision for exemption of necessary employes in railway service will have to be corrected. Such action will be no more imperative if the railways continue in the hands of their experienced managers than if they are transferred to Government control.

5. It is, of course, imperative that rates should be adjusted to the fall in the value of money by the approval of the advances now under consideration by the Interstate Commerce Commission and such other advances as may be necessary. This is merely to say that the shippers should bear the expense of the current movement of freight and not require it to be performed at a loss by the railways, in such a manner that a part of the cost will finally have to be provided for out of capital or out of charges collected after the close of the war. The following discussion, taken from the *Railway Age Gazette*, of an article originally published in the *Economiste Francais*, shows that there would be nothing unusual in the approval of whatever advances are necessary to this adjustment :

“ The article shows that these unprecedented rises in operating costs are by no means confined to the United States or even to the United States and France, but

that they are the result of conditions in effect in all parts of the world. It also shows that in every case the remedy for this condition proposed or adopted has been the same. In many countries increases in rates were found to be necessary even before the war and since then, the article says, 'the terrible conflict which has overturned economic life not only in the belligerent countries, but in the neutral as well,' has forced an increase in rates in nearly every country which has any considerable railway system.

In Italy the rates, increased in 1911 and in July, 1914, were raised twice in 1916. In Switzerland passenger fares have been increased and now preparations are being made to follow the same course as to freight rates. In Russia rates have been undergoing increases since 1902 and since the war the government has placed taxes on transportation in such a form as practically to increase the rates. In Holland passenger rates were increased in 1909 and freight rates in 1916. In Norway rates were increased in 1913, 1915 and 1916 and a similar plan has been followed during the last three years. In Austria-Hungary freight rates were recently increased thirty per cent. and even in Prussia the minister of railways has submitted to the railway council a proposal for a ten per cent increase in passenger fares. Canada, Argentina and Denmark are also mentioned as countries where rates have been advanced to offset the increases in expenses. The commissioners of the New South Wales Government railways in their report for the year ended June 30, 1917, ask for a ten per cent advance in all freight and passenger rates in addition to those already made within the last two years.

The \* \* \* railroads of the United States \* \* \* are subject to a condition which is worldwide in its effect and they are seeking to meet that condition in the only way which is open to them, that of seeking permission to do what other kinds of business have done without requiring any permission."

It is strange indeed, that there has been, anywhere, refusal to recognize this condition. The contrast to which Mr. Loree has called attention in the following paragraph, is without reasonable explanation or plausible excuse.

"The Government has increased prices all along the line. The Fuel Administration has advanced the price of coal 150 per cent. The Food Administration has advanced the price of wheat 156 per cent and the Federal Trade Commission has advanced the price of steel 105 per cent. What do the railroads get? To-day the increase granted by the Interstate Commerce Commission of four per cent in railroad rates, indicates by contrast and without the need of argument, the position in which the railroads are being put."

6. The Government should at once appoint a traffic manager with full authority to reconcile the conflicting claims as to priority of different administrative and military officers and with exclusive jurisdiction to require the preferential treatment of any shipment or class of shipments. In the interest of governmental efficiency, such a course will inevitably be necessary even though the Government should assume the most complete control of all the railways and it ought not now to be withheld. If the present chaotic conditions in respect of priority orders are not rectified, it will soon be difficult to discover any shipment which is not entitled to priority over every other shipment which is not entitled to exactly the same kind of priority—that is, the conditions will be the same as though there were no priority orders whatever.

